

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 OMB-01 TRSE-00 EB-07 AGR-05

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC PRIORITY 5765

C O N F I D E N T I A L KINGSTON 3082

E.O. 11652: GDS

TAGS: EAGR, EAID, JA

SUBJECT: PL-480 TITLE I PROGRAM, FY 77

REF: A. STATE 128664

B. STATE 126864

C. KINGSTON 0587

D. KINGSTON 2398

E.. KINGSTON 2702

F. KINGSTON 2462

1. BEGIN SUMMARY: COMMODITY COMPOSITION, REPAYMENT TERMS, SELF-HELP MEASURES ARE EXPECTED TO BE FULLY ACCEPTABLE TO GOJ; HOWEVER, WE RECOMMEND THAT FEEDER ROADS BE INCLUDED UNDER SELF-HELP MEASURES. IT WILL BE PRACITCALLY IMPOS- SIBLE FOR GOJ TO MEET PROPOSED UMR LEVELS WHICH ARE EXCEEDINGLY HIGH CONSIDERING GOJ'S ABILITY TO FINANCE COMMERCIAL PURCHASES IN ITS PRESENT ECONOMIC CRISIS. MISSION AWARE OF ADDITIONALITY CONCEPT OF TITLE I PRO- GRAMS WHICH DICTATES IMPOSITION OF UMR, HOWEVER, WOULD SUGGEST THAT THE RULE SHOULD BE FLEXIBLE AND CONSISTENT WITH A RECEIPIENT'S COUNTRIES ABILITY TO PURCHASE "USUAL" AMOUNT OF COMMODITIES. UMR LEVELS PROPOSED WOULD UNDERMINE ONE OF MAJOR INTENTS OF PROGRAM WHICH IS BALANCE-OF-PAYMENT SUPPORT. END SUMMARY.

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2. MISSION DOES NOT FORESEE ANY DIFFICULTIES WITH GOJ ON COMMODITY COMPOSITION, AMOUNTS, PAYMENT TERMS OR SELF-HELP MEASURES OF PROPOSED FY 77 PROGRAM. WE DO, HOWEVER, ANTICIPATE PROBLEMS IN REACHING AGREE- MENT WITH GOJ ON USUAL MARKETING REQUIREMENT LEVELS. MISSION FEELS THEY ARE UNDULY HIGH GIVEN GOJ'S PRESENT

CRITICAL FOREIGN EXCHANGE POSITION. UMR IMPOSITION AT NORMAL LEVEL HAS BEEN OF CONCERN TO MISSION SINCE INITIAL SUBMISSION OF PROPOSED PROGRAM, REF C, PARA 5.

3. WHILE UNDER CONSTRAINT OF NOT DISCUSSING PROGRAM WITH GOJ, WE CANNOT AT THIS TIME DETERMINE WHAT GOJ COULD BE REASONABLY EXPECTED TO PURCHASE THROUGH COMMERCIAL SOURCES USING OWN FOREIGN EXCHANGE. WHILE WE KNOW WHAT THE ANNUAL REQUIREMENT FOR VARIOUS COMMODITIES IS, THERE IS CONSIDERABLE DIFFERENCES BETWEEN WHAT IS NEEDED AND WHAT GOJ CAN AFFORD GIVEN THEIR PRESENT FINANCIAL PLIGHT. THE UMR LEVELS PROPOSED ASSUME THAT GOJ WILL PURCHASE FULL ANNUAL REQUIREMENT OF COMMODITIES WHICH DOES NOT FOLLOW IN PRESENT FINANCIAL CONTEXT; OF NECESSITY THE ANNUAL REQUIREMENT OF SOME OR ALL COMMODITIES WILL HAVE TO BE ADJUSTED DOWNWARD TO SQUARE WITH RESOURCES WHICH WILL BE AVAILABLE FOR THEIR PURCHASE; THIS WHETHER THERE IS A TITLE I PROGRAM OR NOT. THE ADDITIONALITY CONCEPT BEHIND UMR ASSUMES A "BUSINESS AS USUAL" ENVIRONMENT WHILE IN REALITY "LIVING FROM MONTH TO MONTH" IS MORE DESCRIPTIVE OF THE PRESENT ECONOMIC SITUATION IN JAMAICA.

4. AS MENTIONED PARA 7, REF D., TOTAL FOOD IMPORTS CURRENT YEAR WILL BE LIMITED TO J\$76 MILLION DOWN FROM J\$200 MILLION IN CY 76. BASED ON UMR LEVELS ESTABLISHED, THE FOUR COMMODITIES INCLUDED IN PROGRAM
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WOULD ALONE REQUIRE \$38,828,000 OF THIS 76 MILLION. THIS BASED ON 129, THOU M/TS WHEAT AT EST. \$12 PER TON (PT); 39 THOU M/T OF RICE AT \$256 PT; 115 THOU CORN AT \$91 PT AND 43 HUNDRED TONS OIL AT EST. \$624 PT. WHILE GOJ IS STRIVING UNDER PRODUCTION PLAN TO INCREASE THIS YEAR'S DOMESTIC OUTPUT OF THREE OF THE FOUR COMMODITIES IN PROGRAM, SEE REF, D, IMPACT OF THESE INCREASES WILL ONLY marginally REDUCE THE \$38 MILLION FIGURE REQUIRED TO PURCHASE UMR LEVELS.

5. WE WOULD ALSO APPRECIATE CLARIFICATION ON HOW UMR LEVELS FOR WHEAT/WHEAT FLOUR AND VEGETABLE OILS WERE COMPUTED. REF E STATED THAT ANNUAL REQUIREMENT FOR WHEAT WAS 73 THOU M/TS AND WHEAT FLOUR (BAKING) WAS 18.3 THOU, REPEAT EIGHTEEN THOUSAND THREE HUNDRED M/TS. REF A REFLECTS A WHEAT UMROF 129 THOUSAND NUMTS, PLUS 25 THOUSAND M/T TO BE PROVIDED UNDER TITLE I PROGRAM FORMOTAL ACQUISITION OF 154 THOUSAND M/TS.

FIGURES PROVIDED BY GOJ SHOW PURCHASES OF WHEAT AS 42.9 THOU M/TS (1974), 57.1 THOU M/TS (QOUTL AND ESTIMATES 66.9 THOU (FY 1976). FOR SAME RESPECTIVE THREE YEARS, PURCHASES WHEAT FLOUR (BAKING) WERE AS FOLLOWS: 29.4 THOU M/TS; 20.6 THOU M/TS AND 18.2 THOU M/TS. UNLESS FIGURES PROVIDED REF E WERE GARBELED, DIFFICULT TO RECONCILE HOW UMR LEVEL OF 129 THOUSAND WAS COMPUTED.

6. REF E STATED A/R OIL AT R.3 THOUSAAND (FOUR THOUSAND THREE HUNDRED) M/TS; UMR, REF A, IS 6.3 THOU M/TS, WHICH APPEARS HIGH BASED ON A/R AND PURCHASES OVER LAST

THREE YEARS. WOULD APPRECIATE CLARIFICATION ON HOW UMR THIS COMMODITY COMPUTED.

7. AGAIN, MISSION SUGGESTS, AS IN PARA 5, REF C., THAT
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QUESTION OF UMR LEVELS BE DETERMINED AT PRELIMINARY NEGOTIATION STATE OF PROGRAM, BASED ON WHAT CAN BE CALLED A "RESONABILITY" FACTOR CONSISTENT WITH WHAT THE GOJ COULD BE REALISTICALLY EXPECTED TO PURCHASE FROM COMMERCIAL SOURCES, CONSIDERING ITS DEPLETED FOREIGN EXCHANGE RESOURCES. IMPOSITION OF UMR AT SUGGESTED LEVELS WOULD VITIATE ONE OF OBJECTIVES OF TITLE I PROGRAM WHICH IS BALANCE-OF-PAYMENT SUPPORT IN NEAR TERM, I.E, LATTER HALF CY 77.
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